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Message Text

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72
ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /031 W
---------- 080301
O 081915Z MAY 74
FM AMEMBASSY MOSCOW
TO SECSTATE WASHDC IMMEDIATE 8628

C O N F I D E N T I A L SECTION 1 OF 2 MOSCOW 6916

EXDIS

E.O. 11652: GDS
TAGS: EGEN, PFOR, US, UR
SUBJECT: CONVERSATION BETWEEN CHAIRMAN FEDERAL
RESERVE BOARD BURNS AND KOSYGIN

1. SUMMARY: KOSYGIN RECEIVED DR. BORNS AT KREMLIN MAY 7 AT 10:15 A.M. FOR APPROXIMATELY THREE HOURS. THERE WAS GENERAL DISCUSSION OF BANKING SYSTEMS IN U.S. AND USSR, OUTLOOK FOR WORLD ECONOMY IN LIGHT OF HIGH OIL PRICES, AND PROPOSED CHANGES IN OPERATION OF IMF. DOSYGIN'S RESPONSE WAS NEGATIVE WHEN BURNS SUGGESTED POSSIBILITY OF USSR INSTITUTING CONVERTIBLE RUBLE AND JOINING IMF. KOSYGIN PROPOSED COOPERATIVE ARRANGEMENTS BETWEEN COMECON INVESTMENT BANK AND U.S. BANKS AND WAS INTERESTED IN PORSPECTS CONCERNING U.S. PARTICIPATION WITH JAPANESE IN SIBERIAN ENERGY PROJECTS. BURNS DESCRIBED PROBLEMS IN U.S. REGARDING CREDITS AND PRESSED SEVERAL TIMES, WITHOUT RESULT, FOR INFORMATION REGARDING SOVIET FINANCIAL SITUATION REQUIRED BY EXIM BANK. NOTING JEWISH EMIGRATION QUESTION AS PROBLEM IN CONGRESS AND U.S. PUBLIC OPINION, BURNS EXPRESSED HOPE THAT COMPROMISE COULD BE FOUND. KOSYGIN AGREED, SAYING THAT PATIENCE IS NECESSARY IN ORDER TO OVERCOME OBSTACLES. KOSYGIN SPOKE WARMLY OF PRESIDENT NIXON, OF PROSPECTS FOR POSITIVE RESULTS FROM HIS VISIT IN JUNE, AND OVER ALL TOOK POSITIVE LINE REGARDING DEVELOPMENT OF U.S. - SOVIET RELATIONS. END SUMMARY.
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2. KOSYGIN WAS ACCOMPANIED BY SVESHNIKOV, CHAIRMAN OF GOSBANK PLUS SOVIET INTERPRETER. BURNS WAS ACCOMPANIE BY AMBASSADOR.

3. FOLLOWING EXCHANGE CONCERNING BANKING AND MONETARY SYSTEMS IN SOVIET UNION AND U.S., THERE WAS GENERAL DISCUSSION OF FINANCIAL SITUATION OF VARIOUS EUROPEAN COUNTRIES AND JAPAN, EURODOLLAR MARKET, AND WORLD ECONOMIC SITUATION IN LIGHT OF HIGH PRICES OF OIL. BURNS, NOTING THAT OVERALL MONETARY REFORM PROGRAM COULD NOT BE IMPLEMENTED IN NEAR FUTURE, DESCRIBED, AT KOSYGIN'S REQUEST, PARTIAL MEASURES WHICH WOULD BE TAKEN THROUGH IMF DESIGNED TO REGULATE RESERVE SITUATION OF MAJOR TRADING COUNTRIES. KOSYGIN WAS INTERESTED BUT SEEMED DOUBTFUL THAT SYSTEM COULD WORK SUCCESSFULLY.

4. IN DISCUSSION OF WORLD ENERGY SITUATION, BURNS GAVE BACKGROUND OF PROJECT INDEPENDENCE AND SAID U.S. WOULD BE SELF-SUFFICIENT IN ENERGY BY 1980. KOSYGIN THOUGHT THIS WAS REASONABLE EXPECTATION, WHILE OBSERVING THAT USSR NLREADY WAS SELF-SUFFICIENT. DOSYGIN DESCRIBED IN SOME DETAIL UNIFIED ELECTRICAL ENERGY NETWORK WHICH EMBRACES LARGE PART OF SOVIET UNION, BUT NOT SIVERIA AND KAZAKHSTAN. HE SIAD PLANS ARE PROCEEDING APACE TO BRING THESE AREAS INTO NETWORK. KOSYGIN ALSO SPOKE ABOUT ENERGY SYSTEM AMONG SOCIALIST COUNTRIES AND POINTED TO DEPENDENCE OF EASTERN EUROPEAN COUNTRIES ON SOVIET DELIVERIES OF OIL AND OTHER ENERGY SOURCES. IN ANSWER TO QUESTION BY BURNS, KOSYGIN DENIED SOVIET PRICES HAVE INCREASED FOR OIL SHIPPED TO EASTERN EUROPE.

5. TURNING TO U.S.-SOVIET BILATERAL MATTERS, KOSYGIN SAID HE FELT IT WAS IMPORTANT FOR U.S. AND SOVIET UNION TO EXPAND THEIR COOPERATION TO INCLUDE JOINT FINANCING OF PROJECTS. HE WAS VAGUE ON SPECIFICS, BUT LATER IN CONVERSATION SPOKE IN GLOWING TERMS OF OPERATIONS OF COMECON INVESTMENT BANK AND URGED BURNS TO STUDY POSSIBILITY OF COOPERATION BETWEEN BANK AND U.S. COMMERCIAL BANKS. BURNS SAID HE WOULD GIVE SERIOUS ATTENTION TO THIS ON HIS RETURN TO THE U.S.
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6. BURNS REPEATEDLY STRESSED TO KOSYGIN THE IMPORTANCE WE ATTACH TO PROVISION BY SOVIET UNION OF INFORMATION CONCERNING ITS FINANCIAL STATUS IN ACCORDANCE WITH LAW GOVERNING OPERATION OF EXIM BANK. BURNS SAID THIS INFORMATION IS REQUIRED OF ALL COUNTRIES DEAWING WITH EXIM BANK AND THUS DOES NOT REPRESENT ANY KIND OF DISCRIMINATION AGAINST SOVIET UNION. BURNS SAID WE

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DO NOT WISH TO EMBARRASS SOVIET UNION OR TO MAKE
UNREASONABLE DEMANDS; INFORMATION OF TYPE NEEDED COULD
BE PROVIDED, FOR EXAMPLE, BY ARTICLE WRITTEN FOR SOVIET
MAGAZINE OR APPEARING IN PRAVDA.

7. KOSYGIN GAVE NO INDICATION THAT SOVIETS WOULD
RESPOND POSITIVELY IN THIS REGARD. HE STRESSED
EXCELLENT SOVIET RECORD IN REPAYING DEBTS AND UNDERLINED
SOCIET CREDIT WORTHINESS. HE FELT THIS SHOULD BE
SUFFICIENT GUARANTEE FOR EXIM BANK. ALTHOUGH REITERATING
SOVIET INTEREST IN OBTAINING CREDITS FROM U.S., KOSYGIN
SAID SOVIET UNION HAD GOTTEN ALONG FOR OVER 50 YEARS
WITHOUT SUCH CREDITS AND COULD CONTINUE TO DO SO IF
NECESSARY. HE MENTIONED QUESTION OF INTEREST RATE,
SAYING THAT SOVIETS WOULD NOT WISH TO PAY MORE THAN
SIX PERCENT FOR LOANS. BURNS POINTED OUT THAT
MR. KOSYGIN SHOULD KEEP IN MIND THAT THE UNITED STATES
GOVERNMENT ITSELF HAD TO PAY EIGHT AND ONE-HALF PERCENT
INTEREST FOR MONEY IT BORROWS.

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72
ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /031 W
---------- 080443
O 081915Z MAY 74
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TO SECSTATE WASHDC IMMEDIATE 8629

C O N F I D E N T I A L SECTION 2 OF 2 MOSCOW 6916

EXDIS

8. MR KOSYGIN ALSO RAISED PROBLEM OF MFN, NOTING THAT
THIS WAS QUESTION OF PRESTIGE FOR SOVIET UNION, AND
THAT CONTINUED DENIAL OF MFN STATUS REPRESENTED
DISCRIMINATION AGAINST SOVIET UNION. KOSYGIN'S TONE
IN DISCUSSING THIS AND QUESTION OF CREDIT WAS CALM
AND UNEMOTIONAL, AND HE SEVERAL TIMES EXPRESSED
APPRECIATION FOR PRESIDENT NIXON'S POSITIVE ATTITUDE
ON TRADE MATTERS AND SAID THAT WHAT WAS NEEDED WAS
PATIENCE IN COPING WITH CURRENT PROBLEMS. KOSYGIN

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THOUGHT THAT IN TIME THESE PROBLEMS WOULD BE RESOLVED.

9. BURNS AGREED WITH NEED FOR PATIENCE. IN DESCRIBING PROBLEMS IN CONGRESS AND U.S. PUBLIC OPINION REGARDING TRADE AND CREDITS FOR SOVIET UNION, BURNS MENTIONED QUESTION OF JEWISH EMIGRATION FROM SOVIET UNION. HE EMPAHSIZED THAT THIS, OF COURSE, IN INTERNAL PROBLEM IN SOVIET UNION AND IS ONE FOR SOVIETS TO DECIDE THEMSELVES. HOWEVER, BURNS HOPED THAT COMPROMISE COULD BE FOUND ON ISSUE WHICH WOULD SATISFY CONGRESS AND HE ALSO HOPED THAT SOVIET UNION MIGHT BE ABLE TO HELP IN THIS EFFORT.

10. TOWARD END OF CONVERSATION, BURNS SPOKE OF POSSIBILITY THAT SOVIET UNION EVENTUALLY MIGHT MAKC RUBLE CONVERTIBLE AND MIGHT CONSIDER JOINING IMF. KOSYGIN RESPONDED THAT, FOR PRESENT, HIS POSITION WAS NEGATIVE ON THESE POINTS.

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11. KOSYGIN ASKED IF U.S. PLANNED TO REVALUE DOLLAR, NOTING HE HAD SEEN SEVERAL REPORTS TO THIS EFFECT. BURNS SAID THERE WAS NOTHING TO SUCH REPORTS AND U.S. HAS NO PLANS TO REVALUE.

12. KOSYGIN DISCUSSED AT SOXME LENGTH RECENT AGREEMENT WITH JAPAN FOR DEVELOPMENT OF COAL AND GAS RESOURCES IN SIBERIA AND FOR OIL EXPLORATION IN SAKHALIN. HE ASKED IF U.S. WAS INTERESTED IN PARTICIPATING IN SUCH PROJECTS. BURNS REPLIED THAT U.S. ADMINISTRATION TOOK POSITIVE VIEW, BUT THAT PROBLEM REMAINED CONCERNING CREDITS FOR SUCH PROJECTS.

13. KOSYGIN NOTED THAT JAPANESE FINANCIAL EXPERTS WOULD BE GOING TO U.S. THIS MONTH FOR FURTHER DISCUSSIONS CONCERNING PROJECTS IN SIBERIA AND SAKHALIN, AND THAT SOVIET EXPERTS ALSO WOULD BE IN U.S. TO PARTICIPATE IN THESE TALKS. (NOTE: IN SUBSEQUENT DISCUSSIONS WHICH DR. BURNS HAS HAD WITH SOVIET OFFICIALS, IT DEVELOPS THAT JAPANESE GROUP, INCLUDING ANZAI, PRESIDENT OF TOKYO GAS COMPANY, WILL BE IN WASHINGTON FOR TALKS IN MID-MAY. SOVIETS ANTICIPATE THAT ALKHIMOV AND OTHER SOVIET REPRESENTATIVES WHO WILL BE IN WASHINGTON AT THAT TIME FOR MEETING PF JOINT U.S. - SOVIET TOADE COMMISSION WILL ALSO BE PREPARED TO TALK WITH U.S. AGENCIES ABOUT JAPANESE PROJECTS.)

14. KOSYGIN SPOKE WARMLY ABOUT PRESIDENT NIXON AND CONTRIBUTIONS HE HAS MADE TO IMPROVED RELALIONS BETWEEN U.S.

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AND SOVIET UNION. KOSYGIN ANTICIPATED CONSTRUCTIVE AND POSITIVE RESULTS FROM PRESIDENT'S VISIT TO MOSCOW IN JUNE AND SAID THAT HE HOPED AGREEMENTS COULD BE REACHED ON VARIOUS ECONOMIC MATTERS AS WELL AS ON JOINT SCIENTIFIC UNDERTAKINGS. HE ASKED THAT HIS VERY BEST WISHES BE CONVEYED TO THE PRESIDENT.

15. FULL MEMCON WILL BE POUCHED.
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC COOPERATION, CURRENCY CONTROLS, INVESTMENTS, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 08 MAY 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GarlanWA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974MOSCOW06916
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740112-0058
From: MOSCOW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740565/aaaacfsv.tel
Line Count: 232
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GarlanWA
Review Comment: n/a
Review Content Flags:
Review Date: 05 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 JUN 2002 by elyme>; APPROVED <06 FEB 2003 by GarlanWA>
Review Markings:

Declassified/Released
US Department of State
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30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CONVERSATION BETWEEN CHAIRMAN FEDERAL RESERVE BOARD BURNS AND KOSYGIN
TAGS: EGEN, PFOR, US, UR, (BURNS, ARTHUR F), (KOSYGIN, ALEKSEY NIKOLOYEVICH)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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